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California Policy Options

Title

Introduction

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Introduction

Not surprisingly, much of the 2003 California Policy Options volume is devoted directly or indirectly to the condition of the California economy, including its impact on the state's budget. In his chapter on the economic outlook, Tom Lieser of the UCLA Anderson Forecast points to likely improvements in California economic performance in the short term. Two sectors are providing economic support: housing (boosted by low interest rates) and foreign trade. But employment in the service sector has not been robust, an ongoing reflection of the dot-com bust.

Budgetary woes, aggravated by the sluggish economy and the impact of the dot-com bust, will frame political and policy options for the state according to William Parent. Efforts were made to avoid hard decisions prior to the November 2002 election. But the governor and legislature are now faced with major resource issues in the areas of education, water supply, transportation, housing, environmental regulation, and health and welfare services. Homeland security needs remain pressing at the state level, but the degree to which state requirements will be met by federal support is uncertain. Policy making in this constrained atmosphere will be decidedly less pleasant than in the days of fiscal abundance of the late 1990s.

California's political system - the system that is supposed to deal with alternative resource demands in a context of budgetary stringency - is a product of the state's history. That history goes back to its founding in the mid-19th century, according to historian Tom Laichas. A somewhat contradictory mix of Jacksonian democratic ideals and Populism, combined with early 20th century Progressive reforms, makes coping with a fiscal dilemma difficult. Moreover, although state politicians draw hard lines between local vs. state responsibilities for public services, voters do not make that distinction. Fundamental changes in the political and budgetary system are unlikely, according to Laichas. But modest, incremental reforms are still possible.

Werner Hirsch and Daniel Mitchell show that the current state budget crisis should not have been a surprise. Even at the peak of the business cycle, the General Fund was in deficit, making it certain that recession would enlarge the gap between expenditure and revenue. In addition, state funding had grown dependent on capital gains taxation. When the stock market crashed, such gains evaporated. As the fiscal crisis unfolded, budgetary presentation and methodology obscured the problems faced by the state and its electorate. While corporate accounting scandals produced reforms related to disclosure in the private sector, no such pressures have been focused on the public sector. By fiscal 2002-03, the state was financing its deficit through short-term revenue anticipation notes and warrants, borrowing a few months ahead to pay today's bills. And the long-term structural problems of state finance had not been addressed.

Nonetheless, long-term issues related to California's demographic trends - such as transportation, education, and the environment - remain. And four chapters of California Policy Options focus on these concerns. Rosina Becerra points to the growth in California's Latino population, especially children under age 5. Such children are ultimately the state's future, and, unfortunately, many have poor parents. The result can be deprivation in critical areas such as health care, housing, and educational attainment. Some funding for early childhood

development is now available from earmarked cigarette tax revenue under Prop 10. However, outreach programs are needed to connect available resources with at-risk children.

Improving educational system performance is critical for all children served by the public schools. William Ouchi, Bruce Cooper, and Lydia Segal find that experience from various school systems around the country can guide appropriate policy in California. Local school autonomy, combined with accountability, is the best approach, the authors find. But California school districts tend to feature centralized and bureaucratic control, an approach unlikely to produce improved educational achievement. A budgetary system in which funding follows the individual student (with greater funding for students with multiple learning disabilities), seems most suitable to a local autonomy/accountability framework.

California has a national reputation for reliance on personal automobile transportation. However, over-reliance on automobiles, particularly automobiles with a single occupant, produces congestion, demand for costly road and parking infrastructure, and environmental degradation. Can Californians be induced to use public transit as an alternative? Jeffrey Brown, Daniel Hess, and Donald Shoup use a transportation experiment at the UCLA campus to determine the answer. At UCLA, students, staff, and faculty have been allowed to use a local bus system for "free." Riders with appropriate UCLA identification pay no fare. The bus system is reimbursed through revenue from the campus parking authority. As a result, bus ridership has shot up, thereby reducing local congestion and the need for parking. It appears that an appropriate policy can change commuting patterns dramatically, even for supposedly car-happy Californians.

Population growth in California is not an exclusively urban issue by any means. As the state's population increases, density issues spread to rural areas, both in terms of new residential areas and use for travel and tourism. Frank Mittelbach and the late Dennis Wambem take note of the conflicting pressures on natural resources in the Sierra Nevada region. At one time, utilization of such resources took place with little environmental concern. Hydraulic mining was a prime example. Now pressures on water, agricultural land use, and demands for recreational services must be balanced in an environmentally-sensitive approach. There is no magic formula for achieving that balance. What is termed "adaptive management" in modern parlance - and "muddling through" in less fashionable language - is the only feasible route for the Sierra Nevada region, according to the authors. Indeed, muddling through seems the likely approach to many of California's policy dilemmas in the next few years.

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